

State and Local Government in Louisiana: An Overview 2008-2012 Term

CHAPTER 2 — STATE GOVERNMENT FUNCTIONS

Part G. Economic Development

Economic development, encouraging the creation or expansion of business, has become an increasingly important legislative issue. The goal for the state of Louisiana is to incorporate both long-term vision and short-term operational objectives, fully integrate all state and private sector development entities and programs, and produce a clearly articulated state philosophy on economic development. Over the past several decades, both state government and local governments in Louisiana have become more heavily involved in fostering economic development to help achieve this goal.

CONSTITUTIONAL AUTHORITY

The Louisiana Constitution of 1974 defines the role of government in economic development with a number of important provisions. Among these are the following:

Assistance to Local Industry

Constitutional provisions authorize the legislature to allow local governments to issue bonds, subject to approval by the State Bond Commission, and to acquire, improve, or otherwise dispose of certain property "In order to induce and encourage the location of or addition to industrial enterprises therein which would have economic impact upon the area and thereby the state,...". (Const. Art. VI, §21(A)) Other provisions authorize the legislature to allow parishes to create and define industrial areas within their boundaries, but these areas shall not be a political subdivision. (Const. Art. VI, §18)

Louisiana Education Quality Trust Fund

Constitutional provisions establishing the Louisiana Education Quality Trust Fund dedicate certain funds to higher education. Not more than fifty percent of the monies in its Louisiana Quality Education Support Fund appropriated by the legislature and allocated by the Board of Regents shall be specified for higher educational purposes to enhance economic development. (Const. Art. VII, §10.1)

Use of Public Funds

Constitutional provisions prohibit the loan, pledge, or donation of public funds or use to purchase stock of a corporation, association, or private enterprise, except for twelve permissible uses. (Const. Art. VII, §14(A) and (B))

Cooperative Endeavors

Constitutional provisions authorize the state and local governments to engage in cooperative

endeavors for a public purpose with any public or private association, corporation, or individual. (Const. Art. VII, §14(C))

Tax Exemptions

Constitutional provisions which provide for tax exemption or abatement from property taxes are: (a) the exemption of certain specified raw materials, goods, commodities, and articles imported into Louisiana from outside the United States (Const. Art. VII, §21(D)); (b) the 10-year industrial exemption for certain manufacturing establishments (Const. Art. VII, §21(F)); (c) the exemption for expansion, restoration, improvement, or development of structures in a downtown, historic, or economic development district (Const. Art. VII, §21(H)); (d) the exemption of certain goods held in inventory by distribution centers (Const. Art. VII, §21(I)); and (e) the exemption of drilling rigs used exclusively for the exploration and development of minerals in Outer Continental Shelf waters which are within the state for storage. (Const. Art. VII, §21(J)(1))

DEPARTMENT OF ECONOMIC DEVELOPMENT

The Department of Economic Development (DED), the state's chief economic development agency, is specifically charged with the responsibility of fostering the growth of industry and other commercial enterprises in Louisiana that will contribute to the overall improvement of the economy of the state. The department also is required to promote the advantages of Louisiana to out-of-state business and industry, facilitate the expansion of existing enterprises, and coordinate with other state agencies and units of local government plans and programs aimed at developing optimum conditions for new and expanding industrial and commercial enterprises in Louisiana. (R.S. 36:101(B))

The DED is composed of the executive office of the secretary, the office of management and finance, and the office of business development.

- The Executive Office of the Secretary

Appointed by the governor, the secretary of the DED serves as the executive head and chief administrative officer of the department. He has the responsibility for the policies of the department and for the administration, control, and operation of the functions, programs, and affairs of the department. (R.S. 36:103) His powers and duties are specifically enumerated in R.S. 36:104.

The secretary also certifies Louisiana capital companies. These companies are exempted from the corporation income tax and the corporation franchise tax for five consecutive tax tables. Certified capital companies provide financial assistance to businesses that are in need of capital for survival, expansion, new product development, or similar business purposes and meet several other financial requirements. (R.S. 51:1921-1935)

The secretary also approves applications for relief from the payment of sales and use taxes by motion picture production companies after the application is reviewed by the secretary and the recommendation of the governor's office of film and television development has been considered. (R.S. 47:1121-1128)

- The Office of Management and Finance

The undersecretary of the DED, appointed by the governor, directs and is responsible for the functions of the office of management and finance. This office is responsible for accounting and budget control, procurement and contract management, data processing, management and program analysis, personnel management, and grants management for the department. (R.S. 36:106)

- The Office of Business Development

The office of business development performs a majority of the functions of the department. Among those functions are the following: (1) to provide for the attraction, retention, and expansion of industrial and business investments; (2) to identify obstacles to growth of Louisiana industries and develop remedies for such obstacles; (3) to assist in the promotion of Louisiana products and services to international markets; (4) to provide services for new and existing small businesses; (5) to develop and maintain an economic information database and information networks; (6) to provide a leadership role in developing an annual business plan; (7) to develop and implement new policies and programs designed to encourage and enable economic and industrial diversification; (8) to support innovation and entrepreneurship among Louisiana firms; (9) to maintain and provide information on financial and infrastructure resources for businesses; (10) to promote and provide financial incentives for new investments; (11) to identify sources of non-state funds for economic development purposes and develop and implement a plan to increase access to these funds; (12) to cooperate and collaborate with regional and local economic development entities throughout the state; and (13) to promote and develop popular commercial music and its related industry. (R.S. 36:108) More functions for the office of business development are listed in R.S. 36:108.

Recently, the DED restructured its economic development process by implementing the "clustering" concept. Clusters are networks of compatible or competitive inter-related companies working together to strengthen the industry market. Each cluster creates a commercial magnet that attracts customers, investments, a skilled workforce, and a specialized infrastructure. The DED works with many different state agencies to help encourage and foster the "clustering" concept. (R.S. 51:2452)

NINE IDENTIFIED INDUSTRY CLUSTERS

- (1) Advanced Materials
- (2) Agriculture/Forestry/Food Technology
- (3) Biotechnology/Biomedical/Medical Industries
- (4) Durable Goods
- (5) Entertainment
- (6) Information Technology
- (7) Logistics/Transportation
- (8) Oil & Gas/Energy
- (9) Petrochemical Technology

State Board of Commerce and Industry

The DED shall be advised by a board known as the State Board of Commerce and Industry which shall exercise the powers delegated to it by Article VII, Section 21(F), of the Constitution of Louisiana. (R.S. 51:923)

The State Board of Commerce and Industry is constitutionally authorized to administer the

following programs:

- **Industrial Tax Exemption Program** – The board administers the 10-year industrial exemption for new and expanding manufacturing establishments. (Const. Art. VII, §21(F)) The exempted taxes include parish and local property taxes. Exemptible property includes land improvements, buildings, machinery, equipment, and furniture for new, expanded, or renovated facilities. Land, raw materials, and finished products are not exempt. To obtain an exemption, a business must be engaged in manufacturing, must create or retain jobs, and must conform to all rules and regulations of the program. Additionally, the board must confirm that such exemption is in the best interest of the state.
- **Restoration Tax Abatement Program** – The board administers the 10-year parish property tax abatement for expansion, restoration, improvement, or development of structures in a downtown, historic, or economic development district. (Const. Art. VII, §21(H) and R.S. 47:4311-4319)

The board also administers the following programs:

- **Enterprise Zone Program** – This program provides tax credits and state sales/use tax rebates to certain qualified businesses. One-time tax credits of \$2,500 per new permanent employee may be awarded to businesses that hire certain qualified employees, and additional \$2,500 credits may be awarded to companies that hire employees who were receiving Family Independence Temporary Assistance Program (FITAP) funds at the time of hire and who are removed from such program as a result of employment. Tax credits for aviation and aerospace employees are even larger. Sales/use taxes may also be rebated on certain construction materials, equipment, and machinery. (R.S. 51:1781-1791)
- **Industrial Revenue Bond Program** – This program allows local authorities, development boards, and public trusts to issue up to \$10 million in tax-exempt revenue bonds to finance the construction and equipping of new industrial facilities or their expansion, and for the purchase of existing facilities by manufacturing firms. (R.S. 39:991-997)
- **Industry Assistance Program** – This program is designed to aid ailing Louisiana industries by providing tax relief for a limited period of time. The program can exempt or reduce several state taxes for up to five years, including sales/use taxes, corporate income taxes, and corporate franchise taxes. This program is available to certain manufacturing industries at the invitation of the governor. These industries must prove that if they receive the requested tax relief, their business may remain open. (R.S. 47:4301-4305)

COMMERCE AND INDUSTRY PROGRAMS

- Enterprise Zones
- Industrial Revenue Bond Program
- Industrial Tax Exemption Program
- Industry Assistance Program
- Inventory Tax Constitutional Amendment Program
- Quality Jobs Program
- Restoration Tax Abatement Program
- Tax Equalization
- University Research and Development Parks Program

beneficial to the parish as determined by the local economic development authority or district. (Const. Art. VII, §21(I))

- Quality Jobs Program – Refundable tax credits can be awarded to certain businesses that have an annual gross payroll for a minimum of five direct jobs which equals or exceeds \$500,000 for the business's fiscal year. Businesses with no more than 50 employees must have an annual gross payroll for a minimum of five new direct jobs which equals or exceeds \$250,000 for the business's fiscal year are also eligible for the tax credit. Such businesses may receive quarterly incentive payments from the Department of Revenue. Eligible companies may receive up to 5% of their new payroll in rebates annually for five years with an option to renew for an additional five years. (R.S. 51:2451-2461)
- Tax Equalization – New or existing manufacturing establishments, headquarters establishments, or warehousing and distribution establishments considering locating in other states due to the imposition of lower taxes in those states, may be eligible for this program. The competing sites must have equivalent or comparable tax advantages. (R.S. 47:3201-3205)
- University Research and Development Parks Program – Tax exemptions, credits, or rebates may be granted for state or local sales/use taxes on machinery, equipment, building supplies, and production supplies in association with university research and development parks. These exemptions, credits, or rebates may be granted for a period not exceeding five years whereupon they may be renewed an additional five years but shall not exceed ten years. (R.S. 17:3389)

Louisiana Economic Development Corporation (LEDC)

The LEDC serves as the single review board for all financial assistance, grants, and investment programs administered by the DED, excluding those financial incentive programs administered by the State Board of Commerce and Industry. (See "LEDC Programs" on the following page.) The corporation is required to formulate and implement the policies for the delivery of services to obtain the following effects:

- The support of innovative private sector research and development activities by Louisiana businesses intended to generate commercial products, processes, or services by providing matching funds to those Louisiana small businesses that received federal Small Business Innovative Research (SBIR) Phase I grant funds.
- The encouragement of existing venture capital funds to invest in qualified Louisiana businesses in Louisiana and the encouragement of the formation of seed and venture capital funds in Louisiana.
- The leverage of funds from Louisiana financial institutions by issuing guarantees for economically disadvantaged and other Louisiana-based micro-businesses, small businesses, medium-sized businesses, and disabled persons business enterprises.
- The encouragement of firms organized under the Louisiana Business and Industrial Development Corporation Act to invest in qualified Louisiana businesses in Louisiana.
- The assistance to Louisiana local governments to provide infrastructure for economic development.

- The assurance that all qualified Louisiana businesses have capital access.
- The provision of lower cost funds for low-interest loans through a linked deposit program in cooperation with the Louisiana Department of the Treasury.

The corporation also has the power, authority, and duty to examine the impediments to the success of Louisiana small businesses from time to time and to adjust existing programs and develop financial programs that will alleviate such impediments. All programs of the corporation are to be administered pursuant to rules promulgated and adopted in accordance with the Administrative Procedure Act. (R.S. 51:2312)

LEDC Programs

- BIDCO (Business and Industrial Development Company) Investment Program – This program provides for a match or co-investment in certified BIDCO's with at least \$1 million in private capital. The LEDC may match the investment \$1 for every \$2 of private capital up to \$2.5 million. (R.S. 51:2386-2398)
- Contract Loan Program – For businesses that have a contract with a local, state, or federal government entity for no more than one year, this program could provide a loan participation in conjunction with a loan guarantee to a bank for loans that range from \$5,000 to \$1 million.
- Exim Bank City/State Program – This program allows the LEDC to be a preferred lender with the US Exim Bank and to serve as a loan facilitator for export loans for small and medium-sized Louisiana businesses.
- Micro Loan Program – This program provides loan guarantees for businesses for loans between \$5,000 and \$50,000.
- Small Business Linked Deposit Program – Businesses interested in lowering their interest rates on existing business loans which have created or saved jobs could benefit from this program. Interest rates may be lowered anywhere from 1% to 4% on no more than \$200,000.
- Small Business Loan Program – For small and medium-sized Louisiana businesses, this program provides loan guarantees or loan participation to banks. Guarantees may be up to 75%, not to exceed \$1.5 million, and loan participation may be up to 40%.
- Small and Emerging Business Development Program – Similar to the small business loan program, this program is geared primarily toward businesses that have been

LEDC PROGRAMS

- Business and Industrial Development Corporation (BIDCO) Investment Program
- Contract Loan Program
- Exim Bank City/State Program
- Micro Loan Program
- Small Business Linked Deposit Program
- Small Business Loan Program
- Small and Emerging Business Development Program
- Specialty BIDCO Investment Program
- Venture Capital Co-Investment Program
- Venture Capital Match Program
- Economic Development Award Program (EDAP)
- Minority Venture Capital Match Program
- Louisiana Seed Capital Program

impaired historically due to diminished capital and credit opportunities. (R.S. 51:942)

- Specialty BIDCO Investment Program – Similar to the BIDCO Investment Program, this program is geared toward certified specialty businesses with at least \$250,000 in private capital. The LEDC may match the investment \$1 for every \$2 of private capital up to \$2.5 million.
- Venture Capital Co-Investment Program – This program provides for a co-investment of up to one-fourth of the round of investment not to exceed \$500,000 with any qualified venture capital fund with at least \$7.5 million in private capital. (R.S. 51:1921-1935)
- Venture Capital Match Program – This program allows the LEDC to provide a match investment from Louisiana venture capital funds for Louisiana businesses who have at least \$5 million of private investment. The LEDC may match funds on \$1 for every \$2 of private capital up to \$5 million. (R.S. 51:1921-1935)
- Economic Development Award Program (EDAP) – This program provides assistance to projects identified by the state as target industries and to projects located in areas of the state with high unemployment levels. The minimum award request is \$25,000 and the projects must create or retain at least ten permanent jobs in the state.
- Minority Venture Capital Match Program – This program provides for a match investment for qualified minority venture capital funds. The fund must have at least \$250,000 of private investment for which the LEDC may invest \$1 for every \$2 of private capital up to \$5 million.
- Louisiana Seed Capital Program – This program provides for matching or co-investment funds for Louisiana small businesses to move out of the theoretical stage of development on course to commercial production. The company must not be a retail or professional enterprise. The applicant fund must be Louisiana based, organized for profit, have three years experience in managing investments, and have raised a minimum of \$250,000 for a co-investment project or \$500,000 for a matching fund request.

OTHER STATE AGENCIES INVOLVED IN ECONOMIC DEVELOPMENT

A number of state agencies other than the Department of Economic Development impact the state's economy, including the following:

Department of Agriculture and Forestry

- State Market Commission Loan and Loan Guaranty Program – Any firm engaged in the marketing or processing of Louisiana farm products may apply for a loan for the purpose of acquiring, constructing, or equipping any agricultural plant. These loans can be used for operation capital, market development costs, and product inventories. (R.S. 3:401-426)

Department of Culture, Recreation and Tourism

- The Department of Culture, Recreation and Tourism (DCRT) houses programs relative to the arts and historic preservation, state parks and museums, and tourism. The DCRT

interfaces with the DED in administering the tax exemption for restoration of structures in a downtown, historic, or economic development district. The DCRT's office of tourism is specifically required to cooperate with the DED to assist it in its inducement program for industrial location and expansion by providing information on the state's recreational and cultural resources and attractions.

Department of Education

- Small Business Development Centers – These centers are located at universities throughout the state and provide counseling, training, technical assistance, and information to persons who plan to start a small business or who presently operate a small business. (R.S. 17:1809, 1810, and 1812)

Department of Environmental Quality

- Environmental Pre-permit Meetings – Any company applying for an initial permit may request the DEQ to schedule a pre-permit review meeting to acquaint businesses with the rules and regulations applicable to their particular business.
- Louisiana Technical Assistance Program – This is a nonregulatory, multimedia program located at the University of New Orleans that helps businesses find ways to voluntarily reduce toxic chemicals and hazardous and nonhazardous waste. (R.S. 30:2061-2062)
- Louisiana Community Development Authority (Industrial Revenue Bonds) – This authority can issue tax-exempt bonds on behalf of small manufacturing companies that locate in the state and create jobs. The program is geared toward manufacturers that seek \$10 million or less to build or upgrade facilities.

Department of Public Safety and Corrections

- Louisiana Public Facilities Authority – This authority is Louisiana's statewide multi-purpose bond issuer, which issues bonds and various other debt to finance industrial and economic development projects, essential programs for state and local governmental units, and educational facilities. The authority also provides technical assistance to Louisiana communities and businesses on creative loan packaging.

Department of Revenue

The Department of Revenue handles administration of a number of financial incentives, including the following:

- Corporate Jobs Tax Credit Program – In lieu of taking advantage of the industrial property tax exemption or enterprise zone benefits, corporations may take advantage of a one-time tax credit for each net new job created at the start of a new business or the expansion of an existing one. These credits range between \$100 and \$225 for each new employee. (R.S. 47:34)
- Inventory Tax Credit Program – Manufacturers, distributors, and retailers are allowed a credit against certain state corporate income and corporate franchise taxes for the amount of local inventory taxes paid. Unincorporated persons engaged in similar businesses may be granted the credit against their personal state income taxes. (R.S.

47:6006)

- Pollution Control Devices and Systems Sales Tax Refund Program – This program excludes pollution-control devices and systems from the state's sales/use tax.
- Qualified New Recycling Manufacturing or Process Equipment Program – All purchases of qualified recycling equipment to be used in this state shall be entitled to a credit against income and corporation franchise taxes imposed by the state in an amount equal to 20% of the cost of the new recycling manufacturing or process equipment less the amount of any other tax credits received for the purchase of the equipment. (R.S. 47:6005)
- Brownfields Investor Tax Credit Program – This program gives a credit against state income tax for the investment by a taxpayer in a voluntary remediation action or a voluntary remedial investigation concerning the presence or potential presence of a hazardous substance or pollutant by any person who is not the responsible person. (R.S. 47:6021)
- Motion Picture Investor Tax Credit Program – This program provides for tax credits for motion picture production companies that produce motion pictures within the state of Louisiana. (R.S. 47:6007)

Secretary of State

- First Stop Shop for Business Program – This program is a "licensing information center" for prospective small business owners. It provides a central point of contact for state government requirements and directs the individual to the proper local licensing and taxing authorities, as well as to state and quasi-governmental agencies, by providing a customized licensing/permit checklist. (R.S. 36:746; 49:229)

LOCAL GOVERNMENTAL AGENCIES INVOLVED IN ECONOMIC DEVELOPMENT

- Freeport Laws – These laws are administered by the parish assessor and allow property tax exemptions on the following items (Const. Art. VII, §21(D); R.S. 47:1951.1-1951.3):
 - Goods imported into the U.S., if the goods are held on the public property of a port, docks of the common carrier in which they entered the state, or held in public or private storage in their original containers.
 - Goods held for export outside the state or the U.S., if the goods are held on the public property of a port, docks of a common carrier, or held in other storehouses.
 - Goods in public or private storage that are in transit through the state. The point of origin and final destination must both be outside Louisiana, and the goods must remain in the original containers.
- Industrial Development Boards – These boards can issue revenue bonds for manufacturing, industrial, or other enterprises. The proceeds from the bonds can be used to acquire and develop sites, construct and equip buildings, buy pollution abatement equipment, and purchase hotels and office buildings. (R.S. 51:1151-1165)

Vision 2020 is a master plan for statewide economic development issued by the Louisiana Economic Development Council. The plan is a challenge to make Louisiana into a place with a vibrant, balanced economy; a fully engaged, well-educated workforce; and a quality of life that places it among the top ten states in the nation in which to live, work, visit, and do business. The plan has three main goals. First, Louisiana is to become a Learning Enterprise, a place where all citizens continually pursue educational achievement, including higher test scores for secondary students and continuing education for our workforce. Second, Louisiana's economy should be driven by a diverse and thriving set of technology-intensive industries with an emphasis on utilizing state colleges and universities as sources for technology and commercialization. Third, by the year 2020, Louisiana should rank among the top ten states in the nation in standard of living indicators.

Each of these goals will be measured by specific benchmarks that will be monitored annually in a report to be submitted to the governor and particular members of the legislature.

WORKFORCE DEVELOPMENT

The legislature has historically struggled with problems resulting from the state's disjointed approach to the training and placement of its citizens in the workforce. Prior to 1997, federal, state, and local funding and participation had flowed through myriad agencies with little or no coordination or communication between programs.

Act No. 1 of the 1997 Regular Session created the Louisiana Workforce Commission and designated that body by law to serve as the review and policymaking body for all issues relating to workforce development education and training services within the state. Under the provisions of this statute, the governor charged the commission with transforming current approaches for providing workforce education and training into a systems approach which is based on the following concepts: customer focused, performance based, market driven, streamlined, locally operated, and focused on work ethic.

Simultaneously, the U.S. Congress enacted the Workforce Investment Act of 1998, under which the state will align, though not consolidate, 14 major workforce education and development programs in a unified state plan. The state Departments of Labor, Social Services, Education, and Public Safety and Corrections, as well as the Board of Regents have all participated in the development of the unified state plan for the state's emerging workforce development system. The new federal legislation, and specifically the unified state plan gives additional impetus to the state's transformation of its workforce development system to produce a world class workforce.

The state's existing network of programs and providers is largely a function of federal funding and target populations, each with its own set of characteristics and challenges. Historically, public sector training has focused on job placement for the disadvantaged, with a strong emphasis on the hardest to serve. As a result, many employers are wary of hiring graduates of publicly subsidized programs. Commission members and participants are working together to change both practice and perception and have begun ratcheting up public sector investment in workforce education and training and serving as a catalyst to increase employer investments in developing the state's workforce.